

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 TRSE-00 EB-07 AGR-05 ABF-01 OMB-01

XMB-02 AID-05 L-02 NSC-05 SS-15 CIAE-00 INR-05

NSAE-00 RSC-01 /060 W

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P 220742Z NOV 74

FM AMEMBASSY DAMASCUS

TO SECSTATE WASHDC PRIORITY 2025

LIMITED OFFICIAL USE SECTION 1 OF 2 DAMASCUS 2778

E.O. 11652: N/A

TAGS: EFIN, SY, US

SUBJ: CLAIMS NEGOTIATIONS

REF: A. STATE 251347; B. STATE 235401; C. STATE 235236

1. SUMMARY. US-SYRIAN CLAIMS NEGOTIATIONS BEGAN NOV 20. SARG AGREED TO OUR PUBLICATION OF NOTICE ON PRIVATE CLAIMS, WILLING TO CONSIDER USG DAMAGE CLAIMS WHEN WE PRESENT PROMISED DETAILS, IN PRINCIPAL FAVORS UNBLOCKING LOCAL CURRENCY FOR USE ON DEVELOPMENTAL PROJECTS, AND PROMISED TO STUDY DELINQUENT PRINCIPAL AND INTEREST ARISING FROM THREE LOCAL CURRENCY LOANS. SYRIANS STATED PROVISIONS OF SARG'S NATIONALIZATION ACT PREVENTED SARG FROM PAYING EXIM BANK SINCE ASSETS OF NATIONALIZED (BOUSTANI) FIRM INSUFFICIENT, BUT PROPOSED FURTHER STUDY AND POSSIBILITIES FOR COMPROMISE. DOLLAR LOAN REPAYMENT APPEARS PRESENT DIFFICULTIES BECAUSE OF SUBSEQUENT UNILATERAL USG CANCELLATION WHICH SYRIANS SAY COST SARG CONSIDERABLE TIME AND MAJOR EXPENSE. ACTIONS REQUESTED FOLLOW EACH SEPARATE CLAIM DISCUSSION BELOW. END SUMMARY.

2. SARG ECONOMY MINISTER IMADI AND FINANCE MINISTER SHARIF CONVENED EVENING MEETING NOV 20 TO DISCUSS OUTSTANDING CLAIMS. ALSO PRESENT WERE DEPT. ECONOMY MINISTER ABDULLAH  
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AZMEH, DR. ABED-ALLA USAMA MALKI OF CENTRAL BANK'S RESEARCH

DEPTN, AMBASSADOR AND ECONOFF REPRESENTED US SIDE. BACKGROUND OF SYRIAN GROUP IS OF INTEREST: IMADI HAS PH.D IN ECONOMICS FROM NYU; SHARIF IS A LAWYER AND FORMER DIRECTOR OF CUSTOMS PRIOR TO BECOMING MINFIN LAST SEPTEMBER; DR. MALKI STUDIED SEVEN YEARS AT BABSON INSTITUTE AND FOUR YEARS AT WHARTON SCHOOL OF FINANCE (HE HAS OFFICES IN CENTRAL BANK, MINISTRY OF ECONOMY AND EUPHRATES DAM MINISTRY AND HIS TALENTS MUCH IN DEMAND); DR. AZMEH IS CORPORATE MEMORY AND WORKHORSE ON SYRIAN SIDE HAVING BEEN INVOLVED IN EARLY 1960'S PL-480 AGREEMENTS AND FORMER DIR GEN OF PUBLIC DEBTS DURING 1965 NATIONALIZATION.

3. IMADI OPENED MEETING BY STATING HE AND MINFIN SHARIF HAD BEEN DELEGATED BY SARG TO HANDLE ALL ASPECTS OF CLAIMS NEGOTIATIONS. IN RESPONSE TO INITIAL INFORMAL DATA WE PRESENTED IN LATE OCTOBER ON STATUS OF ALL CLAIMS, IMADI SAID SARG HAD CLEAR IDEA OF SOME CLAIMS AND QUESTIONS ON OTHERS.

4. EXPORT-IMPORT BANK CLAIM.

A. WE PRESENTED IMADI AND SHARIF WITH AIDE MEMOIRE DRAWING ON DATA AND POSITIONS SET FORTH REF B, STATE 235401. IMADI REPLIED HE AND AZMEH HAD LOOKED CAREFULLY INTO THIS CLAIM TO SEE WHAT WOULD BE POSSIBLE UNDER SYRIAN LAW AND IN PARTICULAR THE PROVISIONS OF APRIL 24, 1965 NATIONALIZATION ACT, UNDER WHICH BOUSTANI FIRM WAS TAKEN OVER BY SARG. IMADI SAID NATIONALIZATION ACT CALLED FOR SARG ASSESSMENT OF COMPANY ASSETS AND LIABILITIES AT TIME OF NATIONALIZATION; IF ASSETS WERE SUFFICIENT TO COVER ALL LIABILITIES, THEN ALL DEBTS WERE PAID. IF NOT SUFFICIENT, PRIORITY PAYMENT SYSTEM ESTABLISHED WITH WAGES AND SALARIES FIRST, GOVERNMENT DEBTS SECOND, ETC. IN CASE OF BOUSTANI FIRM, ASSETS WERE INSUFFICIENT TO COVER FIRM'S DEBT TO AMERICAN BANKS AND THUS NO PAYMENT MADE. IMADI SAID IF EXCEPTION WERE MADE IN THIS CASE, OUTSIDE NATIONALIZATION ACTN, SARG WOULD HAVE ESTABLISHED PRECEDENT WHICH WOULD AFFECT COUNTLESS OTHER NATIONALIZATIONS UNDER ACT.

B. IMADI SAID DECISION HAS BEEN TAKEN TO REVIEW ASSESSMENTS MADE IN 1965 RE BOUSTANI FIRM'S ASSETS TO DETERMINE IF LIMITED OFFICIAL USE

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ADDITIONAL ASSETS COULD BE FOUND. DR. AZMEH HAS BEEN CHARGED WITH THIS INVESTIGATION GIVEN HIS PREVIOUS EXPERIENCE IN THESE MATTERS AND IMADI PROMISED REPORT BACK TO US.

C. AMBASSADOR REVIEWED OUR AIDE MEMOIRE, STRESSING LEGAL POSITIONS THAT SARG BECAME SUCCESSOR TO ALL RIGHTS AND OBLIGATIONS OF FIRM, AMOUNT IS SMALL AND IS BLOCKING POSSIBLE EXIM CONSIDERATION OF MUCH LARGER DEALS ON NEAR

HORIZON.

D. IMADI ASKED IF THERE HAD BEEN ANY CONTACT OR DISCUSSIONS BETWEEN EXIM AND SARG AT TIME OF LOANS IN 1963 AND 1964. HE ALSO ASKED IF EXIM HAD EVER APPROACHED BOUSTANI FOR REPAYMENT SINCE SYRIANS BELIEVE HE ILLEGALLY BLED COMPANY'S CAPITAL PRIOR TO NATIONALIZATION AND SHIFTED FUNDS TO LEBANON WHERE HE NOW RESIDES. AMBASSADOR OBSERVED THAT HAD USG TRIED TO POLICE BOUSTANI'S BEHAVIOR AT THAT TIME IT WOULD HAVE BEEN REGARDED AS INTOLERABLE INTERFERENCE BY SARG. IMADI SUMMARIZED IF THERE WERE PROOF OF EXIM/SARG CONTACT RE LOANS WHEN THEY WERE MADE, I.E. IF SARG GUARANTEED LOANS, THEN GOVERNMENT OBLIGED TO PAY. OR, IF RESTUDY OF EVALUATION OF FIRM'S ASSETS CAME UP WITH MORE FUNDS, THEN THESE COULD BE APPLIED TO LIABILITIES. IMADI ASKED FOR FULL DOCUMENTATION ON THIS CLAIM.

5. ACTION REQUESTED ON EXIM CLAIM:

A. PROVIDE FORMAL WRITTEN CLAIM WITH ALL SUPPORTING DOCUMENTATION (AS NOTED END OF STATE 235401).

B. PROVIDE ANY INDICATION OF EXIM CONTACT WITH SARG AT TIME OF LOANS; DOCUMENTATION SHOULD POINT TOWARD SARG GUARANTEE OF LOANS IF SUCH EXISTS. (WE NOTE EXIM WAS SIGNING AUTHORITY FOR TWO LOCAL CURRENCY LOANS -- 276-G-002 OF FEB 16, 1960, AND 276-G-005 OF DEC 27, 1960, AND WONDER WHETHER THIS RELATIONSHIP PROVIDED OPPORTUNITY FOR EXIM/SARG CONTACT AT TIME OF 1963 AND 1964 LOANS TO BOUSTANI FIRM.)

C. DEPARTMENT AND EXIM LAWYERS SHOULD ALSO PROVIDE ARGUMENTATION BASED ON INTERNATIONAL LAW FOR EMBASSY TO USE IN DISCUSSING WITH SARG ITS LEGAL POSITION BASED ON 1965 LIMITED OFFICIAL USE

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NATIONALIZATION ACT. UNDER ACT, SYRIANS SAY THEY ARE IN EFFECT SUCCESSOR TO ALL RIGHTS AND OBLIGATIONS OF NATIONALIZED FIRM ONLY INsofar AS ASSETS ARE ABLE TO COVER LIABILITIES OF A FIRM. IS THIS IN ACCORDANCE WITH STANDARD INTERNATIONAL PRACTICE? ARE THERE ANY CASES ARBITRATED BEFORE INTERNATIONAL COURT WHICH CAN BE CITED, BEARING IN MIND WE ARE DEALING WITH SOVEREIGN LAW OF SYRIA?

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ACTION NEA-10

INFO OCT-01 ISO-00 TRSE-00 EB-07 AGR-05 ABF-01 OMB-01

AID-05 XMB-02 NSC-05 L-02 SS-15 CIAE-00 INR-05

NSAE-00 RSC-01 /060 W

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P 220742Z NOV 74

FM AMEMBASSY DAMASCUS

TO SECSTATE WASHDC PRIORITY 2034

LIMITED OFFICIAL USE SECTION 2 OF 2 DAMASCUS 2778

E.O. 11652: N/A

TAGS: EFIN, SY, US

SUBJ: CLAIMS NEGOTIATIONS

6. PL-480 BALANCES AND FAA LOAN.

A. AMBASSADOR PRESENTED AIDE MEMOIRE DRAWING ON DATA AND POSITIONS SET FORTH IN REF C, STATE 235236. IMADI SAID MINFIN SHARIF IN CHARGE OF PL-480 BALANCES AND SHARIF THEN PROVIDED FOLLOWING ROUGH OUTLINE OF FIGURES INVOLVED OF WHICH HE WAS AWARE:

LS 125 MILLION (LC RESULTING FROM COMMODITY AGREEMENTS)

LS 58 MILLION ("USED BY EMBASSY")

LS 67 MILLION (REMAINDER)

LS 48 MILLION ("CONVERTED FOR USE ON PROJECTS")

APPROXIMATELY LS 20 MILLION (REMAINING AND UNUSED) SYRIANS AGREED LS 20 MILLION REMAINING AND UNUSED WAS FIRST-GENERATION BLOCKED BALANCE NOTED IN OUR AIDE-MEMOIRE AS LS 20,980,000, AND WERE PLEASED TO LEARN WE PROPOSED THAT AFTER UNBLOCKING, WE WOULD REALLOCATE THESE FUNDS FOR LENING ON JOINTLY AGREED DEVELOPMENT PROJECTS. IN PRINCIPLE, SYRIANS ACCEPTED THIS PROCEDURE AND PROMISED TO PRESENT DETAILED REPLY IN DRAFT RESPONSE TO LIMITED OFFICIAL USE

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OUR AIDE MEMOIRE. CONNECTION BETWEEN UNBLOCKING AND REAL-LOCATION AND SYRIAN PAYMENT OF DELINQUENT PRINCIPAL AND

INTEREST ON SECOND-GENERATION LC LOANS WAS OF COURSE NOT LOST ON SYRIANS.

B. ON DELINQUENT PRINCIPAL AND INTEREST RESULTING FROM SECOND-GENERATION LC LOANS, SYRIANS REQUESTED TIME TO RESEARCH THEIR FILES AND MINFIN SHARIF PROMISED TO PROVIDE RESPONSE TO US AFTER THIS REVIEW COMPLETED. SYRIANS UNDERSTOOD PROPOSED USE THESE FUNDS FOR USG USES AND STRETCH OUT OF SUCH EXPENDITURES OVER SEVERAL YEARS.

C. ON DELINQUENT A.I.D. DOLLAR LOAN, IMADI IMMEDIATELY TOOK REINS FROM SHARIF AND DESCRIBED HIS PERSONAL INVOLVEMENT IN WASHINGTON IN NEGOTIATING THIS LOAN IN LATE 1962 WHEN HE WAS WITH PLANNING MINISTRY. IMADI SAID UNILATERAL USG CANCELLATION OF THIS \$14.7 MILLION LOAN HAD SET BACK CONSTRUCTION OF SYRIAN GRAIN SILOS BY SEVEN YEARS, HAD MADE PROJECT FAR MORE EXPENSIVE BECAUSE OF DELAY AND SARG HAD TO HAVE ENGINEERING STUDIES DONE ELSEWHERE WHICH COST ADDITIONAL SCARCE FUNDS. IMADI SAID DRAFT SARG RESPONSE ON THIS CLAIM WOULD BE FORTHCOMING WITH OTHER DRAFT RESPONSES WHICH WILL FORM BASIS FOR NEXT DISCUSSION BETWEEN TWO SIDES.

7. ACTIONS REQUESTED ON PL-480 BALANCES AND DOLLAR LOANS:

A. CLARIFY DIFFERENCE BETWEEN TOTAL ADDITIONAL PRINCIPAL NOT YET DUE AS NOTED STATE 219000 (LS 45,714,695.10) AND STATE 235236 (LS 41,518,741.13).

B. PROVIDE BACKGROUND AS TO WHETHER EXPENDITURES FOR ENGINEERING STUDIES UNDER GRAIN SILOS DOLLAR LOAN WERE ACTUALLY MADE, WHETHER STUDIES WERE ACTUALLY TURNED OVER TO SARG AND WHETHER THESE STUDIES WERE OF USE TO SUBSEQUENT ENGINEERS, AGRICONSULT, CONSULTING ENGINEERS, MALMOE SWEDEN. FOR INFORMATION OF NEA/ARN WE ARE POUCHING COPY OF NEW SARG MINISTRY OF PUBLIC WORKS AND WATER RESOURCES BROCHURE ON GRAIN SILOS ISSUED IN HONOR OF 1974 COMMISSIONING OF SILOS. AFTER REVIEW OF THIS BROCHURE, PLEASE ADVISE IF IT APPEARS OUR ENGINEERING STUDIES WERE BASIS FOR PROJECT OR DID SWEDISH FIRM HAVE TO RE-ENGINEER PROJECT?  
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8. ON USG DAMAGE CLAIMS, AMBASSADOR ORALLY REVIEWED STATUS, NOTED WE DID NOT YET HAVE DETAILS BUT THAT WE DID INTEND TO PRESENT CLAIM TO SARG AS SOON AS WE HAVE SUCH DETAILS.

9. ON PRIVATE CLAIMS, AMBASSADOR ORALLY REVIEWED OUR POSITION BASED ON PARA 5 AND 5A OF STATE 235236. AMBASSADOR DETAILED OUR PUBLICATION PROCEDURE PROPOSAL FOR FEDERAL REGISTER, DEPARTMENT PRESS RELEASE AND STATE

DEPARTMENT BULLETIN. IMADI AND SHARIF IMMEDIATELY AGREED TO THIS PROPOSAL AND EXPRESSED THEIR GOVERNMENT'S WILLINGNESS TO COMMENCE NEGOTIATIONS ON PRIVATE CLAIMS IN THE NEAR FUTURE IN ORDER TO ARRIVE AT SETTLEMENTS FOR VALID CLAIMS. (FYI: PRIOR TO MEETING, AMBASSADOR HAD OPPORTUNITY TO RELAY REQUEST FROM BRYAN JONES OF EXXON/BEIRUT (BEIRUT 13653) FOR APPOINTMENT NEXT WEEK WITH MINFIN SHARIF TO DISCUSS CLAIMS. SHARIF CONFIRMED APPOINTMENT FOR NOV 27 AND WE HAVE INFORMED JONES. AS FOR MOBIL, NOV 11 DISCUSSION BETWEEN MOBIL GENERAL COUNSEL MURRAY W. MCENIRY (STATE 244013) AND ECONOFF REVEALED MOBIL PLANS NOT RPT NOT TO ATTEMPT CLAIMS NEGOTIATION UNTIL FINAL DISPOSITION OF SYRIAN CUSTOMS CASES AGAINST MOBIL IN SYRIAN COURTS. END FYI)

A. SYRIANS AGREED TO CONSIDER ESTABLISHMENT OF JOINT US/SYRIAN CLAIMS COMMITTEE, OR IN ANY OTHER FRAMEWORK SARG MAY PREFER AND WILL RESPOND TO US ON THIS QUESTION.

10. ACTION REQUESTED:

A. DEPARTMENT SHOULD PROCEED WITH PUBLICATION OF NOTICE FOR US NATIONALS WHO HAVE CLAIMS AGAINST SARG TO FILE THEM WITH USG. AS COURTESY TO IMADI AND SHARIF, WE WOULD APPRECIATE DEPARTMENT CABLING US DRAFT NOTICE PRIOR TO PUBLICATION.  
MURPHY

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## Message Attributes

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**Decaption Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
**Disposition Authority:** CollinP0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
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